

# GE 2009 third quarter performance

## October 16, 2009

### – Financial results & company highlights

**"Results are preliminary and unaudited.** This document contains "forward-looking statements"- that is, statements related to future, not past, events. In this context, forward-looking statements often address our expected future business and financial performance and financial condition, and often contain words such as "expect," "anticipate," "intend," "plan," "believe," "seek," "see," or "will." Forward-looking statements by their nature address matters that are, to different degrees, uncertain. For us, particular uncertainties that could cause our actual results to be materially different than those expressed in our forward-looking statements include: the severity and duration of current economic and financial conditions, including volatility in interest and exchange rates, commodity and equity prices and the value of financial assets; the impact of U.S. and foreign government programs to restore liquidity and stimulate national and global economies; the impact of conditions in the financial and credit markets on the availability and cost of GE Capital's funding and on our ability to reduce GE Capital's asset levels as planned; the impact of conditions in the housing market and unemployment rates on the level of commercial and consumer credit defaults; our ability to maintain our current credit rating and the impact on our funding costs and competitive position if we do not do so; the soundness of other financial institutions with which GE Capital does business; the adequacy of our cash flow and earnings and other conditions which may affect our ability to maintain our quarterly dividend at the current level; the level of demand and financial performance of the major industries we serve, including, without limitation, air and rail transportation, energy generation, network television, real estate and healthcare; the impact of regulation and regulatory, investigative and legal proceedings and legal compliance risks, including the impact of proposed financial services regulation; strategic actions, including acquisitions and dispositions and our success in integrating acquired businesses; and numerous other matters of national, regional and global scale, including those of a political, economic, business and competitive nature. These uncertainties may cause our actual future results to be materially different than those expressed in our forward-looking statements. We do not undertake to update our forward-looking statements."

"This document may also contain non-GAAP financial information. Management uses this information in its internal analysis of results and believes that this information may be informative to investors in gauging the quality of our financial performance, identifying trends in our results and providing meaningful period-to-period comparisons. For a reconciliation of non-GAAP measures presented in this document, see the accompanying supplemental information posted to the investor relations section of our website at [www.ge.com](http://www.ge.com)."

"In this document, "GE" refers to the Industrial businesses of the Company including GECS on an equity basis. "GE (ex. GECS)" and/or "Industrial" refer to GE excluding Financial Services."



imagination at work

# Overview

- ✓ Global environment improving but expecting gradual recovery
- ✓ 3Q'09 earnings of \$2.5B ... \$.22 EPS, (51)% driven by Capital Finance
  - Industrial segment profit +4% ... Infrastructure, Media, C&I
  - Capital Finance \$263MM, (87)% ... favorable tax credits as expected
  - Aggressive cost out ... \$.05 EPS restructuring and other charges in 3Q
- ✓ Executing through the recession
  - Cash flow of \$4.4B in 3Q'09 & \$11.5B, +1% YTD ... positioned for \$15B+ total year
  - \$61B consolidated cash ... parent cash increased vs. 2Q
  - Strong industrial margin expansion ... 16.3%, + 260 bps. versus 3Q'08
  - Infrastructure orders (18)%, but backlog increased to record high of \$174B
  - Services continue to remain strong
  - GE Capital Finance reserves +\$0.8B in 3Q, coverage at 2.08%
- ✓ Continuing to invest in the long term
  - Tracking to higher '09 R&D spend vs. '08
  - Broke ground on GE Energy Technology Center in Russia
  - ScanWind acquisition expanding offshore wind capability



# Environment

## Big factors

## Status

Dramatic financial crisis

“Better”

- + Credit markets improving
- + Pricing attractive
- Losses still remain high

Difficult recession

“Bottoming”

- + Some signs of life
- + Delinquencies leveling off
- Excess capacity, CAPEX constrained
- Unemployment ↑

Global growth

“Available”

- + Emerging markets relative strength

**Environment improved in 3Q'09**

# Executing through the recession

## Stabilize Capital Finance

- ✓ Funding well ahead of plan
- ✓ Capital ratios strong & improving
- ✓ Strong margins on new originations
- ✓ Working through Real Estate cycle

+

## Outperforming in a tough economy

- ✓ Protect backlog
- ✓ Services strength
- ✓ Global orders
- ✓ Lower cost
- ✓ Expanding margins

+

## Strengthen the balance sheet

- ✓ Strong cash generation
- ✓ Maximize financial flexibility

### Status

**Much improved**

**As expected**

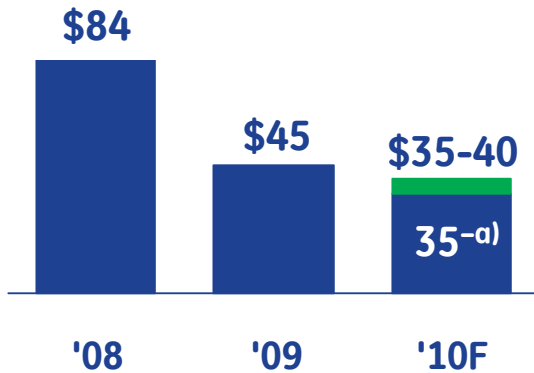
**Much improved**



# Capital Finance safe & secure

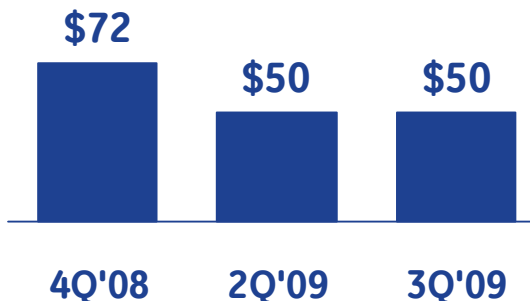
(\$ in billions)

## Long-term debt funding



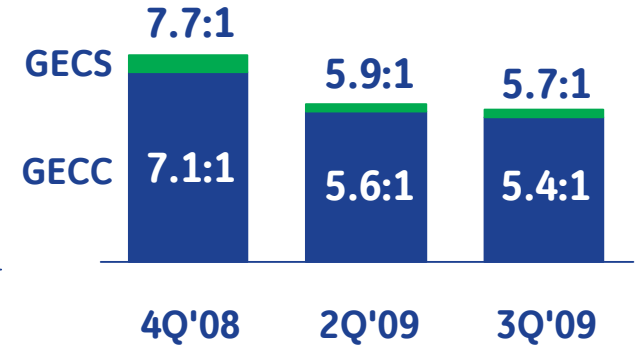
(a- 2009 YTD as of 10/5)

## GECS commercial paper



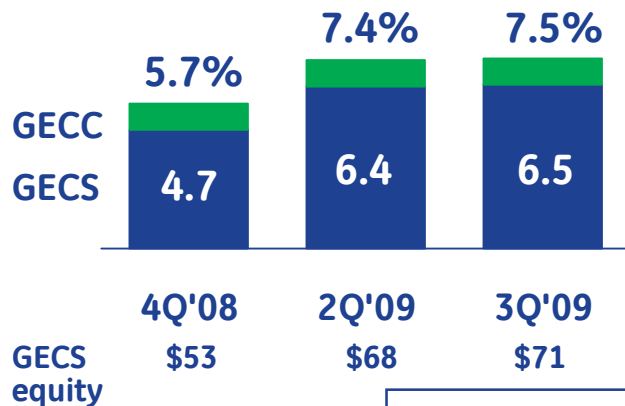
Cash & backup bank lines >2X CP

## Leverage<sup>b)</sup>



(b- net of cash & equivalents with hybrid debt as equity ex. noncontrolling interests)

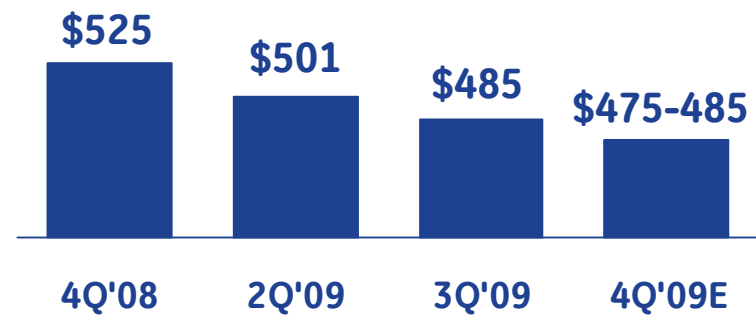
## Tier 1 common ratio



GECS equity

4Q'08 \$53  
2Q'09 \$68  
3Q'09 \$71

## Ending net investment<sup>c)</sup>



(c- Capital Finance excluding effects of FX)

**Strong execution through the crisis ...  
ahead of plan on all metrics**

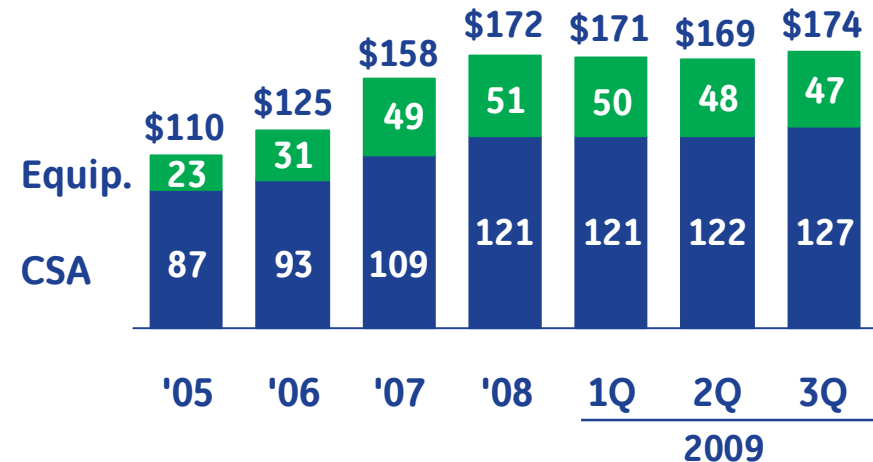
# Backlog growing

(\$ in billions)

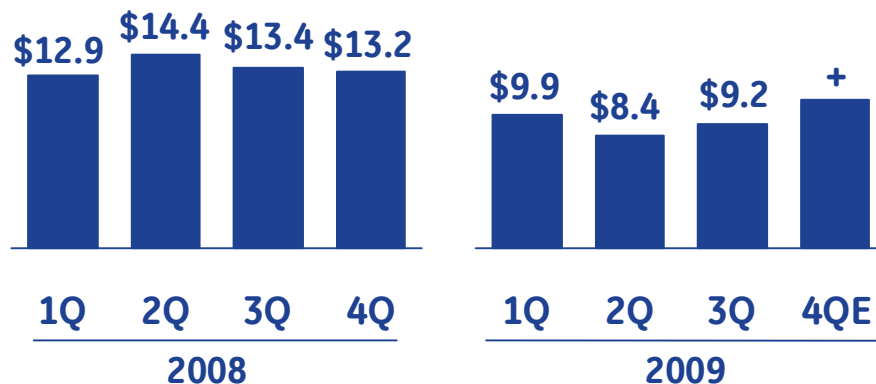
Orders \$18.4/(18)% 3Q VPY/(18)% YTD

	Equipment		Services	
	\$	V%	\$	V%
Energy	\$2.6	(50)%	\$3.9	9%
O&G	1.3	6	0.8	(5)
Aviation	1.9	(37)	2.6	1
Healthcare	2.4	(13)	1.5	(1)
Transportation	0.2	(23)	0.5	(43)
Ent. Solutions	0.9	(24)	-	-
<b>Total</b>	<b>\$9.2</b>	<b>(32)%</b>	<b>\$9.2</b>	<b>3%</b>

Protecting backlog (\$B)



## Equipment orders



## Highlights

- ✓ Equipment orders +\$0.7B vs. 2Q'09 ... continuing to win global orders
- ✓ Service orders +3% driven by strength in Energy with Smart Grid
- ✓ Backlog at all-time high: equipment steady & continuing to acquire service commitments
  - \$7.9B new CSA additions 3Q'09

**Equipment orders improving ... up \$741MM vs. 2Q'09**



imagination at work

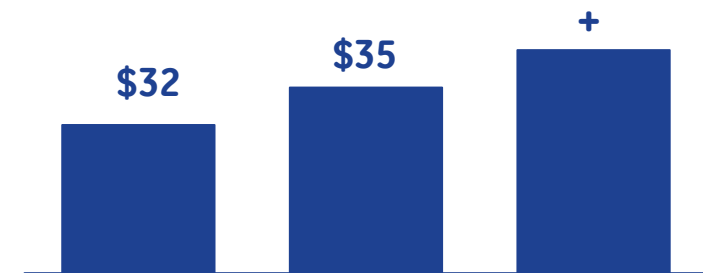
# Industrial revenues

(\$ in billions)

## Key initiatives from 12/08

- 1 Protect backlog: up YTD, +\$4B vs. 2Q
  - Cancellations remain low: \$0.2B in 3Q, <\$0.8B YTD
- 2 Growth in emerging markets
  - China +26%, India +12%, E. Europe +18%
- 3 Launching more new products ... R&D up
  - + Extending product lines
  - + Big initiatives: ecomagination, healthymagination
  - + Key product launches
  - + Growing adjacencies
- 4 Stimulus ... only beginning, expect ramp up in 4Q'09/2010
  - + Wind                   + Smart Grid
  - + HCIT                   + Global Rail

## 5 Services revenue solid



	'07	'08	'09E
Margins	+	+	+
CSA B/L	\$109	\$121	\$127

- + 9 new Aviation CSAs \$5.4B, 7 new Energy CSAs \$1.7B
- + Healthcare emerging market strength ... China +19%, India +8%
- + O&G CSA backlog +7% YTD
- + Transportation Marine & Stationary up double digits

**Total backlog at \$174B ... record high**

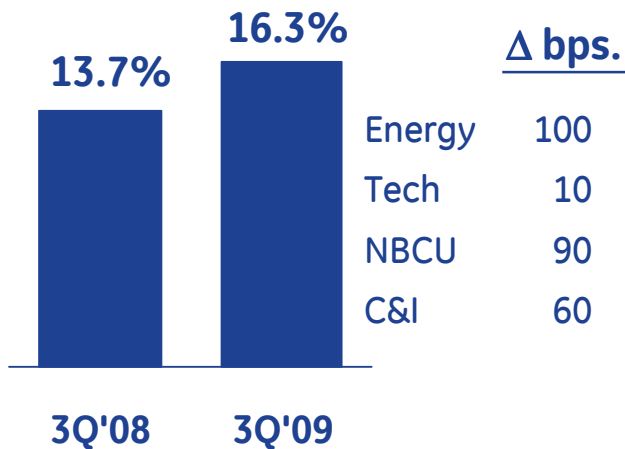


imagination at work

# Lowering cost

(\$ in billions – pretax)

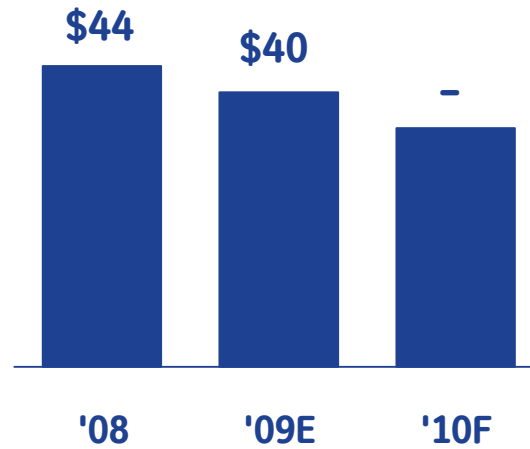
## 3Q margin improvement



- ✓ CM expansion of 4.6 pts.
  - Positive value gap ... price expansion \$0.5B
- ✓ Service margins +4 pts.
- ✓ No repeat of Olympics +1 pt.

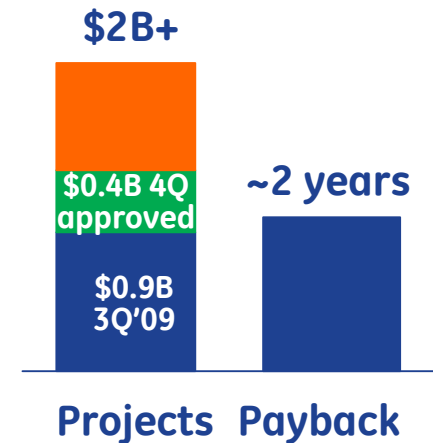
**On track for total year growth**

## Aggressive base cost reduction



- ✓ Significant restructuring & other charges to date
  - '07 ... \$2.0B
  - '08 ... \$1.8B
  - '09 YTD ... \$1.9B
- ✓ 3Q base costs ↓ 10%

## Restructuring & other charges - pipeline '09/'10



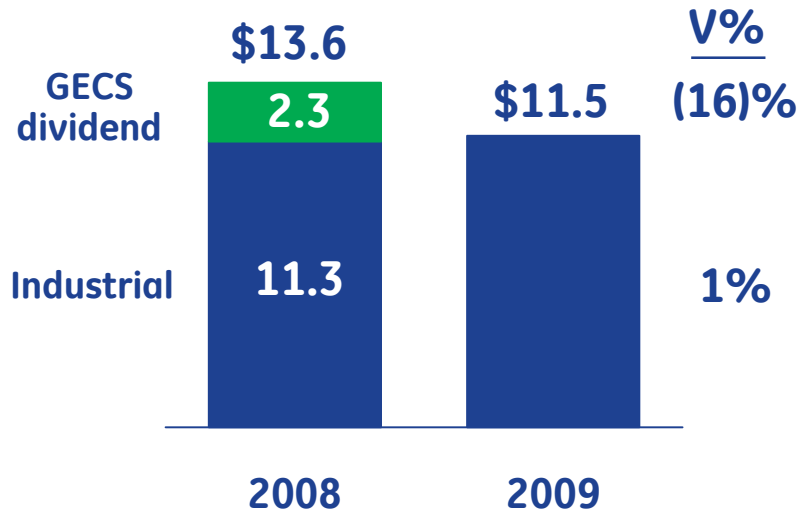
- ✓ 3Q projects
  - Incandescent lighting
  - Transportation resizing
  - Optimizing services footprint
- ✓ \$0.7B+ being reviewed for potential 4Q'09/'10 execution

**Continuing to restructure ... positioning for reset economy**

# Generating cash

(\$ in billions)

## 3Q YTD CFOA



- ✓ No GECS dividend, Industrial cash flow higher year over year
- ✓ Focus on working capital driving strong cash generation

## GE cash balance walk

Consolidated cash \$61B

	<u>Total</u>
Beginning balance 1/1/09	\$12.1
CFOA	11.5
Dividends	(7.8)
P&E	(1.8)
GECS capital contribution	(9.5)
Acquisitions/dispositions	0.5
Change in debt/other	0.2
<b>September 2009</b>	<b>\$5.2</b>

**CFOA on track for \$15B+ total year**

# 3Q'09 performance



imagination at work

# Third quarter consolidated results

(\$ in billions – except EPS)

(\$ in millions)

## Continuing operations

	<u>3Q'09</u>	<u>V%</u>
Revenues	\$37.8	(20)%
– Industrial sales	25.1	(13)
– Financial Svcs. rev.	12.7	(31)
Earnings <sup>-a)</sup>	2.5	(45)
EPS <sup>-b)</sup>	.22	(51)
CFOA YTD	11.5	(16)
– Industrial CFOA	11.5	1
	<u>3Q'09</u>	<u>3Q'09</u>
		<u>YTD</u>
Tax rate	(25)%	(7)%
– GE (ex. GECS)	22	26
– GECS	114	210

(a- attributable to GE

(b- earnings attributable to common shareowners

	<u>Revenues</u>		<u>Segment profit</u>	
	<u>\$</u>	<u>V%</u>	<u>\$</u>	<u>V%</u>
Energy Infra.	\$8,917	(9)%	\$1,582	11%
Technology Infra.	10,209	(11)	1,748	(8)
<b>Infrastructure</b>	<b>19,126</b>	<b>(10)</b>	<b>3,330</b>	<b>-</b>
NBC Universal	4,079	(20)	732	13
Capital Finance	12,161	(30)	263	(87)
C&I	2,438	(18)	117	F
			<u><u>\$4,442</u></u>	<u><u>(26)%</u></u>



imagination at work

# 3Q items

(Earnings per-share)

	<u>Impact</u>	<u>Comments</u>
Corporate restructuring & other charges	\$(.05)	✓ Cost structure improvements ✓ Footprint reductions & organization realignment
Marks & impairments	(.06)	✓ Real Estate, Treasury marks & other impairments
NBCU items	<u>.01</u>	✓ AETN gain less impairments & other charges in NBCU
	<b>\$(.10)</b>	

**Continued restructuring improves cost base**

# Capital Finance highlights

(\$ in millions)

<u>3Q'09</u>	<u>\$</u>	<u>V%</u>
Revenues	\$12,161	(30)%
Segment profit	\$263	(87)%
Assets	\$551B	(11)%

## Key 3Q business results

	<u>Assets (\$B)</u>		<u>Segment profit (\$MM)</u>	
	<u>\$</u>	<u>V%</u>	<u>\$</u>	<u>V%</u>
Consumer	\$180	(16)%	\$434	(45)%
Real Estate	84	(6)	(538)	U
CLL	214	(14)	135	(65)
GECAS	50	1	191	(33)
EFS	23	3	41	(87)

## Update from July 28

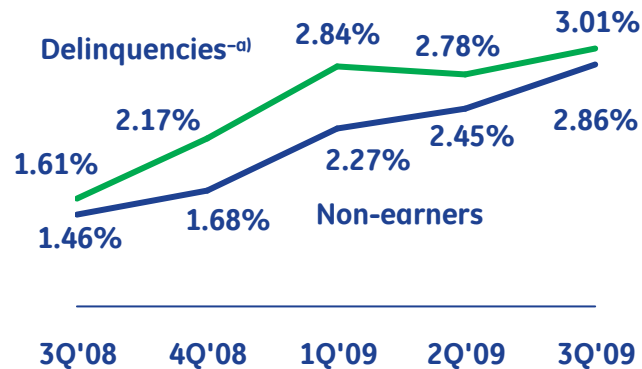
- ✓ **Funding**
  - + '09 ENI reduction targets already achieved
  - + GECC funded >90% of 2010 plan
  - Negative carry cost ~\$0.7B in '09
- ✓ **Originations**
  - + \$23B of commercial originations YTD
  - + Underwriting business at attractive returns
- ✓ **Losses**
  - + Slightly better than Fed base case
  - Real Estate continues to be difficult
- ✓ **Reserve coverage**
  - + Reserves \$7.3B, up \$0.8B from 2Q
  - + Coverage 2.08%, up 26 bps.
- ✓ **Cost out**
  - + Delivered \$2.6B cost out YTD

- ✓ **Executing well in difficult environment**
- ✓ **\$2B Capital Finance earnings YTD**
- ✓ **Committed to GE Capital, strengthening fixed charge coverage agreement**
- ✓ **Next Capital Finance analyst meeting December 8**



# Capital Finance portfolio quality

## Equipment



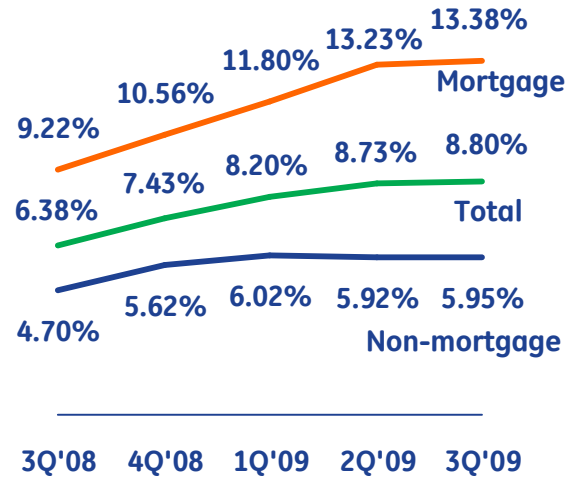
## Drivers

- ✓ Delinquency up 23 bps., driven by Americas portfolio partially offset by Asia & Europe
- ✓ Non-earners +41 bps. vs. 2Q'09
  - Driven by senior secured loans ... well collateralized

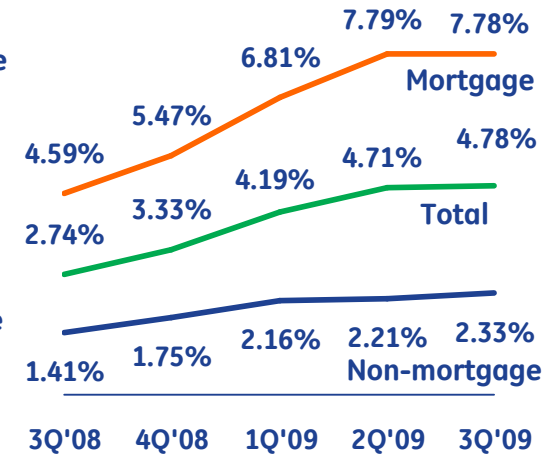
(a- managed assets

## Consumer

### 30+ delinquency-a)



### Non-earners



## Drivers

- ✓ North America delinquencies up 31 bps. to 7.27%
  - Delinquency up from seasonal low but rate of increase slowing
- ✓ U.K. home lending down 9 bps. from 2Q
  - Continued improvement in HPI (3 consecutive months)
  - Net gains on REO sales vs. marks in all 3 quarters
- ✓ Global banking delinquencies flat ... strong collections efforts

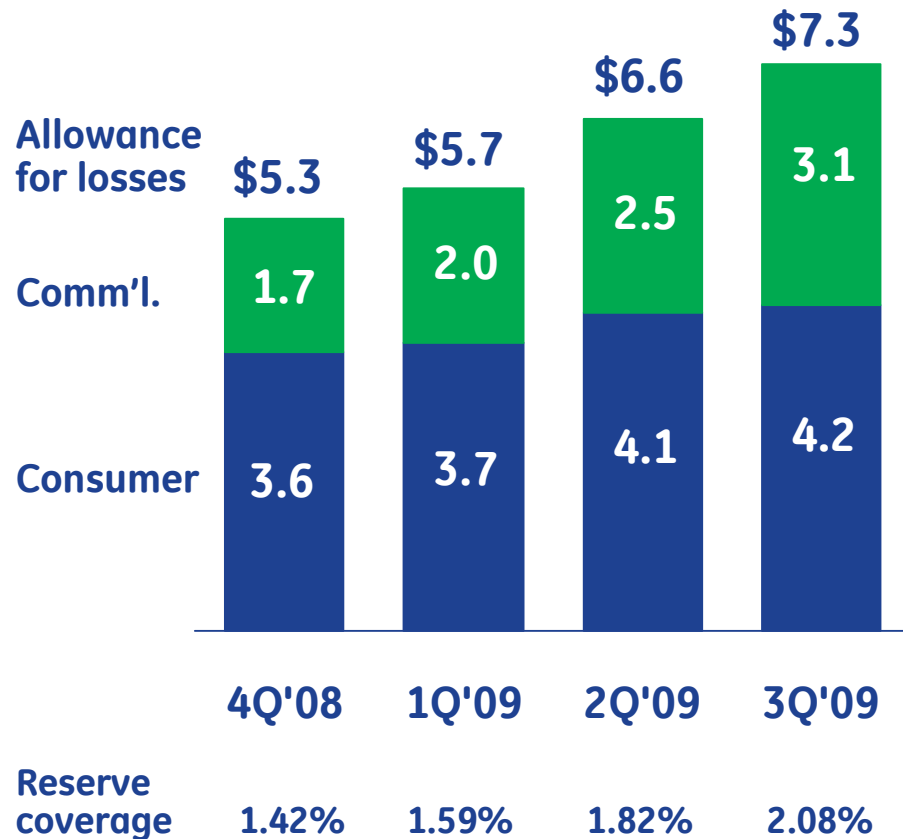
**Tough environment ... but some signs of stabilization**



imagination at work

# Capital Finance reserve coverage

(\$ in billions)



## Commercial

- ✓ Reserves increased by \$0.6B in 3Q'09 ... coverage rate to 1.43%
  - Strong collateral will lead to ultimate loss significantly below non-earners

## Consumer

- ✓ Coverage at 3.11%
- ✓ U.S. Card & Sales Finance
  - Coverage rate up 45 bps. to 7.02%
  - Reserves/non-earnings 209%
- ✓ Mortgage
  - Coverage rate up 26 bps. to 1.59%
  - Reserves/non-earnings 20%
  - U.K. REO sales realization at 115%

**Reserve coverage +\$757MM, +26 bps. vs. prior quarter**

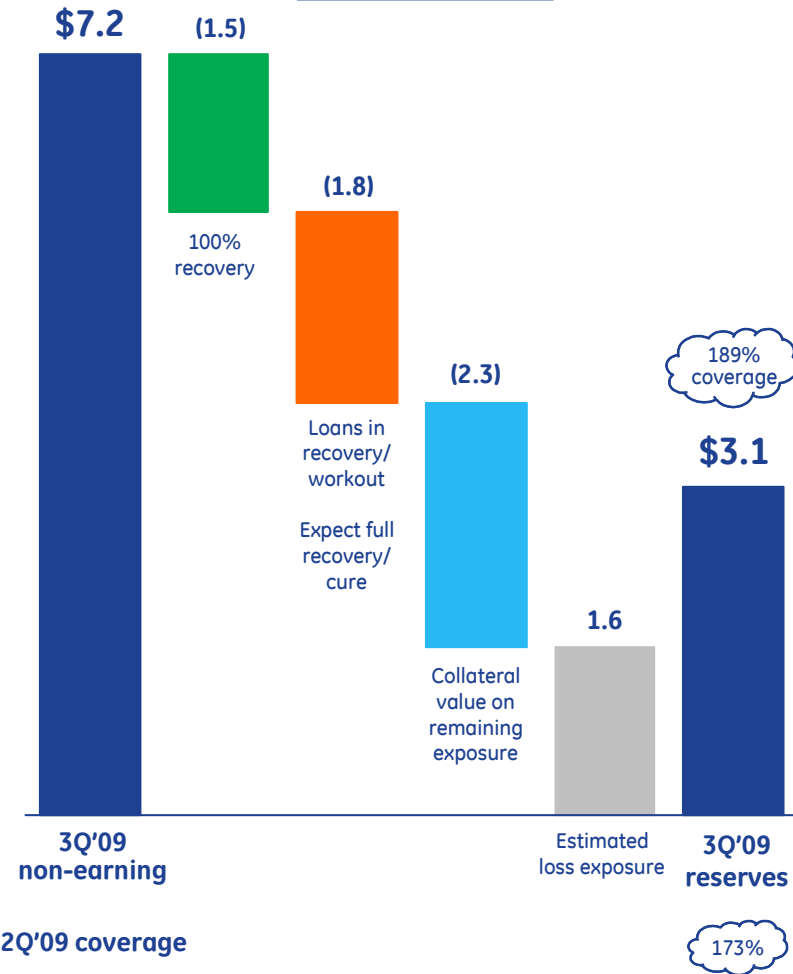


imagination at work

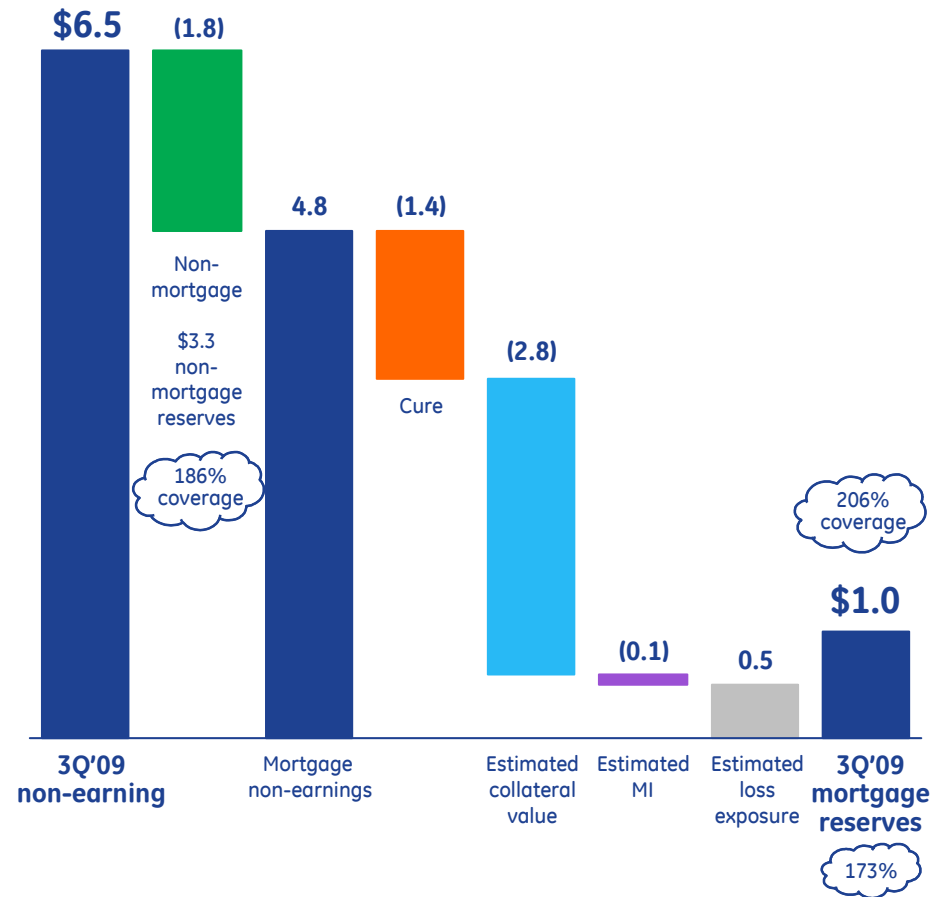
# Capital Finance non-earning exposure walk

(\$ in billions)

## Commercial

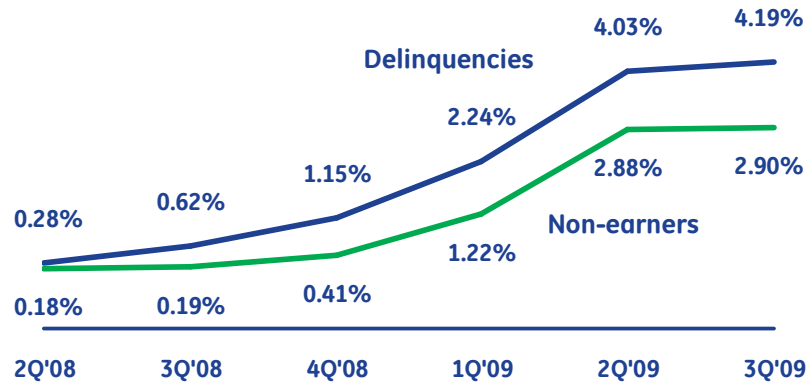


## Consumer



# Commercial Real Estate

## Debt portfolio quality



- ✓ Non-earners steady ... \$1.3B 2Q and 3Q
- ✓ Specific reserves ↑ \$562MM 3Q primarily due to revaluation review
  - 77% of impaired loans with specific reserves are current
- ✓ Reserve coverage increased from 1.2% to 2.3%

## Equity operating metrics

<u>Metrics (\$MM)</u>	<u>Original outlook</u>	<u>3Q YTD</u>	<u>Status</u>
✓ <b>NOI</b> (pre-tax)	\$1,104	\$1,199	●
✓ <b>Gains</b> (net)	\$124	\$88	●
✓ <b>Impairments</b> (pre-tax)	\$291	\$467	●
✓ <b>Occupancy</b>	80%	79%	●
✓ <b>Leasing</b> (MM sq. ft.)	18.0	19.1	●

**Risks understood and manageable**

# NBCU highlights

(\$ in millions)

<u>3Q'09</u>	<u>\$</u>	<u>V%</u>
Revenues	\$4,079	(20)%
Segment profit	\$732	13%

3Q'09 reported	13%
AETN less 3Q'09 impairments & other charges	(22)
Adjusted	(9)%

## 3<sup>rd</sup> quarter dynamics

- 1 Cable**
  - + Cable strength continues ... USA rated #1, delivered more viewers in 3Q than any cable network has in any quarter
  - + Syfy +30%, CNBC +9%, Bravo +4%
- 2 Broadcast**
  - +/- Prime ratings as expected, scatter above upfront
  - + Successful launch of *The Jay Leno Show*
  - + *Conan & Fallon* win 3Q Late Night in key demo
  - + Local markets showing signs of improvement
- 3 Film & Parks**
  - Under performance at the box office ... *Inglourious Basterds* only success
  - Tough comps versus last year's *Mamma Mia*
  - +/- Continued weakness in Parks attendance, offset by strong cost control
- 4 Digital & Other**
  - + hulu continues strong growth
  - + Gain on AETN partially offset by impairments & other charges
  - + Continued costs/workforce reduction

**Performance in line with industry**



imagination at work

# Technology Infrastructure highlights

(\$ in millions)

<u>3Q'09</u>	<u>\$</u>	<u>V%</u>
Revenues	\$10,209	(11)%
Segment profit	\$1,748	(8)%

## Key 3Q business results

	<u>Revenues</u>		<u>Segment profit</u>	
	<u>\$</u>	<u>V%</u>	<u>\$</u>	<u>V%</u>
Aviation	\$4,542	(6)%	970	16%
Healthcare	3,801	(9)	508	(20)
Transportation	970	(23)	177	(31)

## 3Q dynamics

### Aviation

- \$4.5B orders, (19)% ... equipment backlog \$21B, CSA backlog \$59B
- Revenues (6)% ... equipment (10)%, commercial & military service (2)%
- Segment profit +16% ... favorable price, cost productivity offset volume pressures

### Healthcare

- \$3.9B orders, (9)% ... equipment backlog \$3.4B, service orders (1)%
- Revenues (9)% ... equipment (11)%, services (6)%
- Segment profit (20)% ... U.S. market remains tough

### Transportation

- \$0.6B orders, (38)% ... challenging U.S. environment
- Equipment revenues (32)%, services revenues (14)%

**GE operating well in a tough environment**



imagination at work

# Energy Infrastructure highlights

(\$ in millions)

<u>3Q'09</u>	<u>\$</u>	<u>V%</u>
Revenues	\$8,917	(9)%
Segment profit	\$1,582	11%

## Key 3Q business results

	<u>Revenues</u>		<u>Segment profit</u>	
	<u>\$</u>	<u>V%</u>	<u>\$</u>	<u>V%</u>
Energy	\$7,128	(11)%	\$1,273	11%
Oil & Gas	1,953	3	338	11

## 3Q dynamics

### Energy

- \$6.5B orders, (25)% ... expect Kuwait in 4Q
- Revenues (11)% ... Thermal (30)%, Water (16)%, Wind & Aero flat ... Energy Services +10%
- Segment profit +11% ... \$0.4B price + deflation

### Oil & Gas

- \$2.1B orders, +1% ... equipment backlog \$6.9B, CSA backlog \$3.8B
- Revenues +3% ... equipment +7%, service (2)%
- Segment profit +11% ... value gap & base cost control strong drivers

**Strong operating leverage despite fewer shipments**



imagination at work

# 2009 company update

	<u>EPG</u>	<u>3Q YTD</u>	
Energy Infrastructure	++	+14%	} 3% } (3)% →
Technology Infrastructure	+	(5)	
NBCU	-	(27)	
Capital Finance	Profitable	\$2.0B	→
Corporate/C&I	Flat	(7)%	→

+ Solid service position  
 - Lower equipment sales  
 + Strong cost out/margins  
 + Global stimulus

+ Funding solid; originations strong  
 - Tough loss environment

+ C&I better  
 + Plan to do more restructuring

- ✓ Strong business execution in tough environment
- ✓ Funding more restructuring
- ✓ Improving cost structure for 2010+

# Summary

- 1 Global environment improving but expecting gradual recovery
- 2 Very solid operating execution versus outlook for this year
- 3 Dramatically strengthened funding & balance sheet at GE Capital; GE parent is accumulating cash ... achieved safe & secure objectives
- 4 Highly valuable Industrial backlog ... service model is robust ... equipment margin expansion is proven
- 5 Will continue to invest for long-term growth